



Michigan's Autism Cost Reduction Legislation

Testimony to the Michigan Senate
Health Policy Committee

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Executive Summary

- Autism is a complex developmental disorder impacting over 15,000 Michigan children with another 1,000 born each year. Autism impacts 1 out of 110 children. There is no known cause or cure. Without treatment, lifetime costs are \$3.7 million or \$58 billion for Michigan. The costs of non-treatment are here today and are embedded in taxes and other societal costs. Michigan families are leaving the state for treatment, Michigan's autism trained college graduates leave to find work and Autism Speaks ranks Michigan in the top ten worst places to raise a child with autism. Twenty-Nine states have passed autism legislation and most others have it on their legislative agendas, making Michigan a less competitive state for attracting and retaining a skilled work force. Most importantly, autism is the only catastrophic illness not covered by insurance in Michigan
- Without insurance there are virtually no medical therapists and access to treatment is almost non-existent. Self-pay and company self-adoption doesn't work without therapists. Without legislation the system is paralyzed. However, with assessments and therapy, 50% of the children achieve normal function and an additional 40% significantly improve. The legislation will save \$14 billion in lifetime cost, double if self-insured plans follow and they will. \$1.5 to \$3 billion in savings will go to the schools. The legislation is narrow in scope. It defines diagnostic criteria and provides only for medically supervised, evidenced-based therapies. The legislation will retain families and college graduates. Initial costs are less than 1/10 of 1% or about 58 cents per person, per month. Premiums will level off at a 0.36% increase. This is an example of making an investment to produce large savings

Reasons to Consider Autism Cost-Reducing Legislation

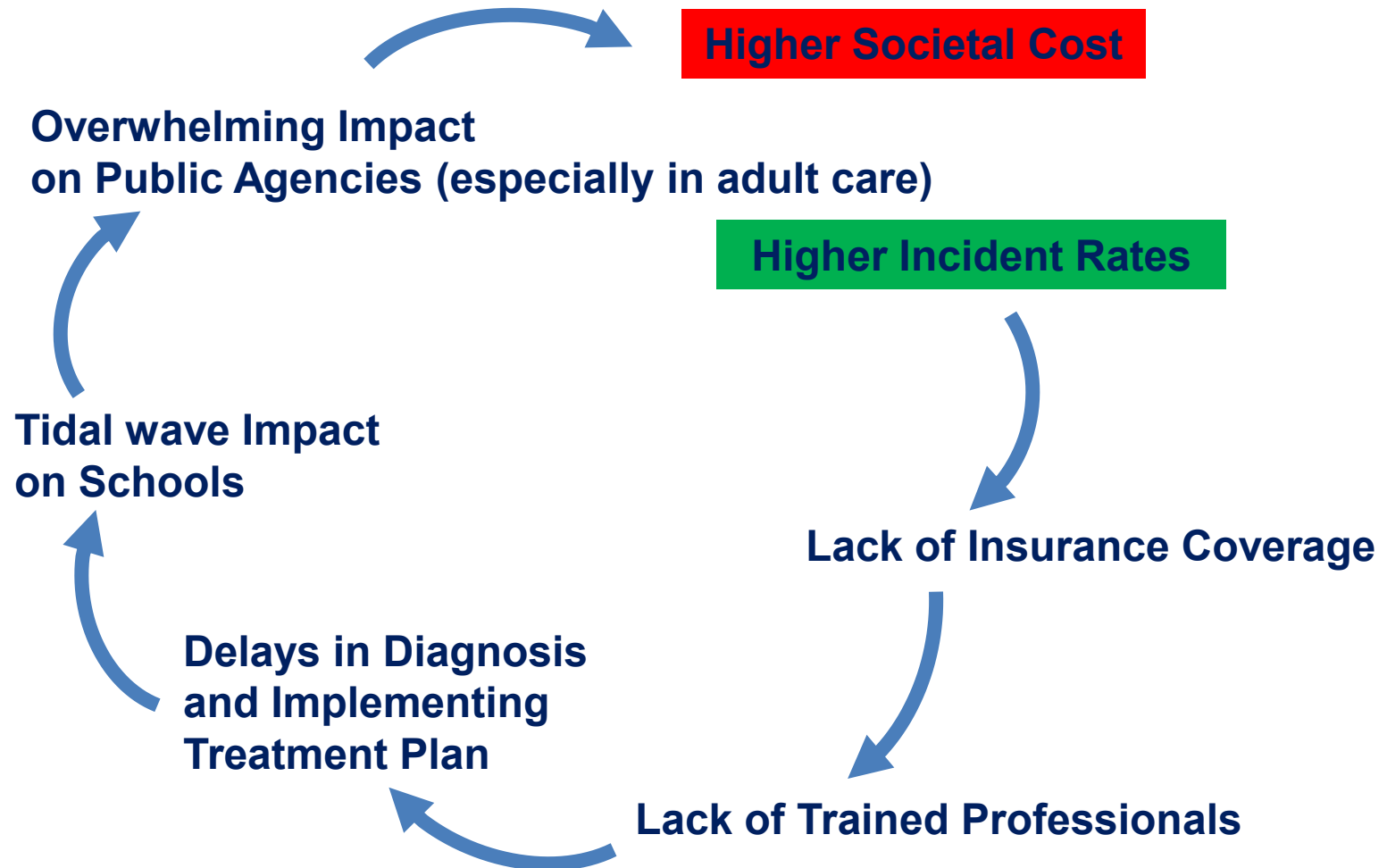
Economic

- ✓ Substantial lifetime savings – average is \$2 million per child
- ✓ School benefit cost savings of over \$200,000 per child
- ✓ Shifts tax dependents into tax payers. Over 50% can become independent, productive members of society and pay taxes instead of becoming wards of the state
- ✓ Businesses avoid paying lifetime medical costs for dependent adults
- ✓ More productive employees who are parents of children with autism
- ✓ Retain college graduates with autism therapy degrees
- ✓ Avoid families leaving Michigan to move to States that have coverage and therapists
- ✓ There are only two ways to spread the risk of catastrophic illness – Government through tax dollars or through insurance. Insurance is a much better alternative
- ✓ Insurance without a mandate is the same as self-insurance and is too costly for most employers or individuals

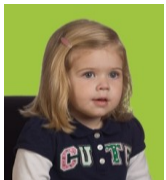
Societal

- ✓ Only catastrophic medical condition that is not covered and specifically excluded
- ✓ Move 50% to normal function and mainstream. 40% more dramatically improve
- ✓ Avoid producing wards of the State with lifetime housing, supervision and medical costs
- ✓ Avoid high parental stress related medical costs and higher divorce rates in families with a child with autism.
- ✓ Take burden of often uncontrollable children off the schools, allowing them to teach

Untreated Autism imposes very high costs on society



Taking no action is the high cost solution for Business



No Insurance



No Therapist



No Services



No Improvement



High Cost

Employees (Parents) and Employer

- High stress and distraction
- Absenteeism
- Higher parental medical costs
- Lifetime medical coverage for dependents

Higher Taxes – State and Local

- Intensive school support – up to \$60k per year
- Social and Medical Services
- Housing
- Transportation
- Police

Societal

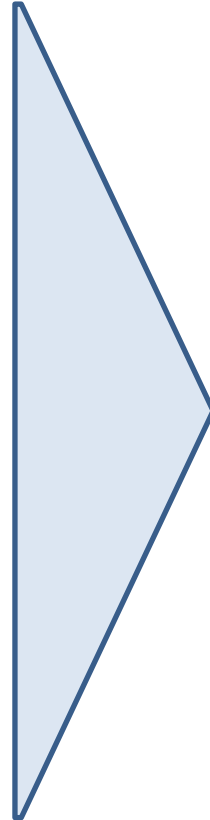
- Parent lost wage
- Parent bankruptcy
- High divorce rates

Summary of Proposed Cost Reduction Legislation

- The legislation is narrow in scope
- Only licensed physicians and psychologists can provide diagnosis
- Autism diagnosis is defined by DSM IV criteria (Diagnostic and Statistical Manual of Mental Disorders)
- Limits treatments to evidenced-based therapies and provides for behavior, speech, occupational and physical therapies
- Behavior Therapy has to be provided/supervised by a board certified behavior therapist
- Provides for checks and balances including reviews by insurers and managed care cost-containment practices
- Moving out of Michigan can't be the only option for families with children with autism

Benefit to Michigan Schools and Jobs

- Studies in other states show early assessment and intervention will reduce the need for special education services over 18 years, saving \$200,000 per child to the schools.
- Even if you can self-pay today, therapists are almost non-existent:
Board Certified Behavior Therapists:
Michigan: 30
Florida: 1,800
- Michigan college graduates leave Michigan for jobs in states with autism insurance



- Sound public policy
- Supports schools by lowering school age cost by \$1.5 billion, \$3 billion when ERISA plans follow
- Creates good paying professional jobs and keeps Michigan college graduates home
- More than 50% of children with autism can become productive workers in our society if properly treated

Alternative Methods to Address this Problem

Insurance Riders or Mandatory Offering

- Medical insurance spreads the risk of a catastrophic medical condition over large insurable pools. A rider or mandatory offering would only be selected by those afflicted. The result would be the same as self pay and won't spread the risk as is done for all other catastrophic illnesses in Michigan. It also won't increase the number of medical therapists. Mandatory offering would provide for adverse selection. Businesses not experiencing catastrophic illnesses, such as cancer can't opt out

Expand Coverage with Public Schools

- The Federal Law, IDEA charges the schools with providing the child with autism a meaningful education. Schools do not, cannot, and should not be tasked with providing medical treatment. Research done by Michigan State University which was funded by Ambassador and Eileen Weiser, showed that teachers don't have the training to teach students with autism and have low academic expectations.

Income Tax Deduction, Credit or Voucher

- A credit or deduction would also be funded by the State and would not begin to cover the cost incurred by families. The Ohio Voucher program has been unsuccessful, is only used by a small portion of the families with autism and has quality issues

Insurance

- Insurance is an established mechanism to share the risk of catastrophic medical conditions

Impact on Lifetime Societal Cost

	Receive Treatment			No	Net
	<u>Typical</u> <u>Function</u>	<u>Significant</u> <u>Improvement</u>	<u>Little</u> <u>Progress</u>	<u>Intervention</u>	<u>Savings</u>
Lifetime Cost	\$643,675	\$2,055,235	\$3,944,496	\$3,668,322	\$3,668,322
Incidence Rate	47%	40%	13%	--	
Weighted Figure	\$302,527	\$822,094	\$512,784	--	<u>-\$1,637,405</u>
Net Gain					<u>\$2,030,917</u>

Conservative total Michigan cost savings: \$14 billion, not including ERISA Plans.

Insurance Premium Impact

- Premium increase is estimated at significantly less than ½ of 1%
- Initial cost could be as low as 8/100ths of one percent
- Initial costs are low because it will take 3-5 years for the supply of therapists and service providers to fill the demand



Actuarial Estimated Impact on Premiums		
	<u>Year One</u>	<u>Year Six</u>
Low	.08%	.24%
Medium	.18%	.36%
High	.33%	50%

- Initial costs are estimated at 58 cents per month and could be as low as 26 cents per month

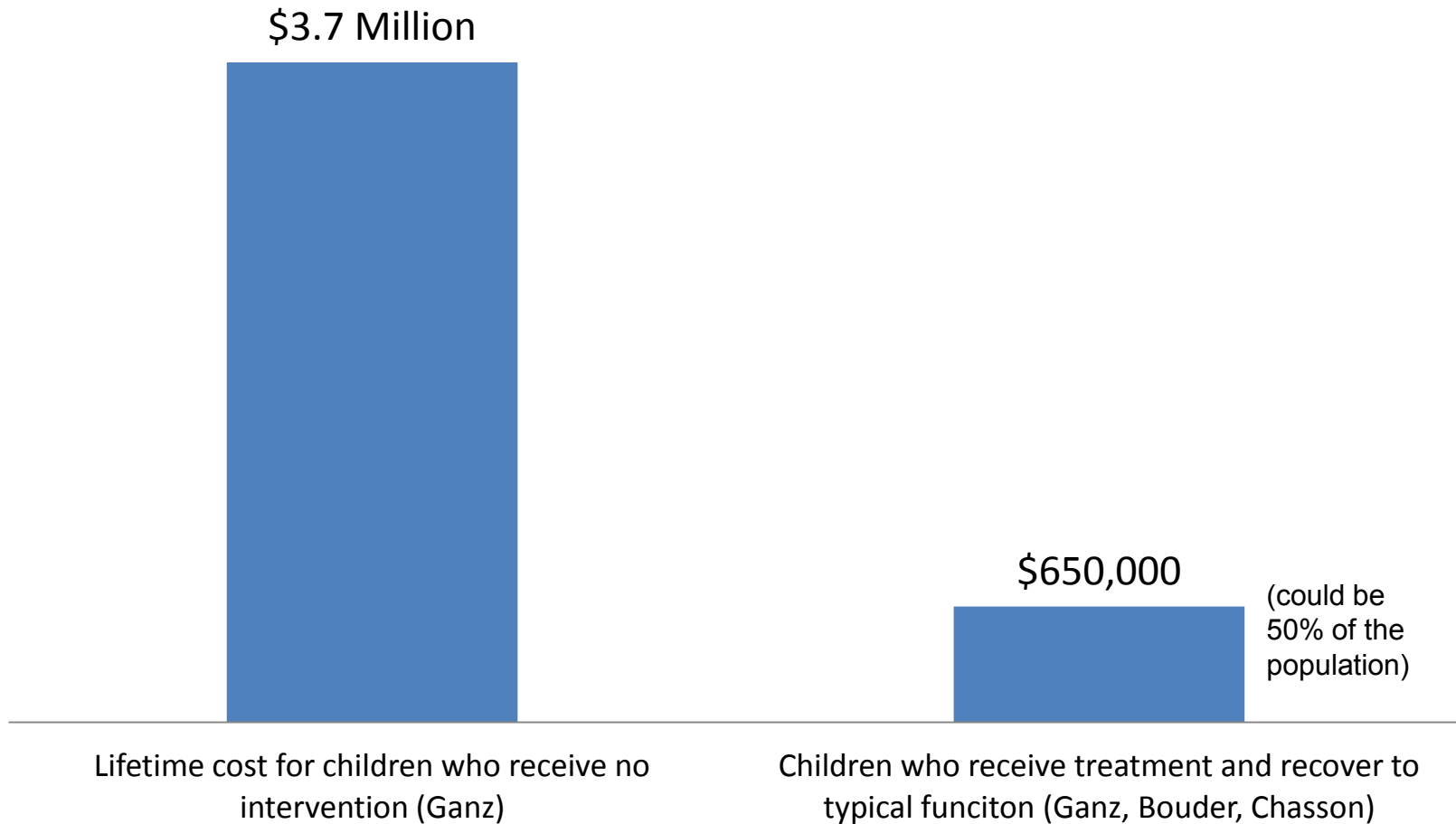
Summary

- The medical, family, societal and business case has been made. Moving out of Michigan can't be the only option
- This is the only catastrophic medical condition that is not covered by Medical Insurance used to spread catastrophic risk over large risk pools
- There are only two ways to deal with catastrophic medical conditions; taxes or insurance. Medical insurance works well by spreading catastrophic risk to large pools. State Budgets and pushing medical treatments to schools are not sound choices
- The legislation is narrow in scope and is economically sound. Treatments are limited to evidenced based therapies; behavior, speech, occupational and physical therapies.
- This legislation is part of Michigan's Economic Reform. Without a change, Michigan will continue to produce more wards of the state instead of productive taxpayers
- The savings are at least \$14 billion and the insurance premium increase is very small at 58 cents, per month

Appendix - Background

- Over the lifespan, the average societal cost of caring for **1** person with autism is **\$3.7 million**. (*Harvard School of Public Health, 2006*).
- Today, 1 in 110 individuals (1 in 70 boys) is diagnosed with Autism Spectrum Disorder (ASD), making it more common than pediatric cancer and diabetes combined. It occurs in all racial, ethnic, and social groups.
- There are over 15,000 children with autism in Michigan.
- Research has shown that the earlier the treatments, the greater the lifetime impact to the child. If autism is not treated, in many cases the child will likely require full time care for the rest of his or her life. The cost for non treatment is incurred by Michigan companies (disabled children usually get lifetime medical insurance), families and the State of Michigan.
- Healthcare plans in Michigan systematically excluded many of the prescribed, medically proven treatments for autism. This perfect exclusion leaves 85% of the children without access to therapies.
- In addition to the crushing financial burden, the time, energy and stress of parenting children with autism can impact employment, health and marriage. Divorce rates for parents of children with autism are extremely high.

Appendix - Failure to act is the high lifetime cost option



(1) Ganz \$ 2006 and Boudier \$ 2008 inflated to estimated \$ 2010, not adjusted to \$ 2011

Appendix -- Key Calculations

1. Total Lifetime Cost:

- There are 15,000 children in Michigan with autism. The lifetime cost per the Ganz Study is \$3.7 million with no intervention. The total lifetime cost is approximately \$55 billion.

2. Non ERISA Population Lifetime Cost:

- In the Boudier Study, it is noted that the Federally controlled plans which are referred to as self funded plans or ERISA plans in Michigan cover a little over 50% of the population and children. This legislation only impacts the non-ERISA or non-Self Funded plans which are used by many of the large companies.
- There are about 7,000 children in the State controlled plans. 7,000 times \$3.7 million is about \$28 billion.

3. Lifetime Savings:

- The Boudier Study outlined the lifetime cost of a person with no intervention as \$3.7 million. With intervention almost half of the children achieve normal function and their lifetime cost is lowered to \$644k. Another 40% achieve significant improvement and their costs is lowered to \$2 million. However 14% of the children don't show improvement with today's evidenced based therapies and end up being the highest cost group.
- When you weight out the average cost of providing therapy given the range of improvements, the new average lifetime cost is \$1.6 million or a savings of \$2 million per person.
- For the 7,000 children in State controlled plans this is \$14 billion in savings. For the total population this is \$28 billion in savings over their lifetime. The schools will benefit over the school age of the children from the children getting early access to therapies. Of the \$28 billion, \$3 billion will go to the schools.
- The lifetime savings is a net savings, net of the cost of the therapies provided.





Appendix -- Key Calculations

- The Costs and Savings Calculations come from several of the key studies done to support the conclusions drawn in support of this legislation. Here is a partial list of references:
 - Actuarial cost estimate: Michigan Senate Bills 414 and 415, Marc Lambright, Oliver Wyman, September 21, 2011
 - Ganz, Michael L. (2007), "The Lifetime Incremental Societal Costs of Autism"
 - Chasson, Gregory S., Harris, Gerald E. & Neely, Wendy J. (2007), "Cost Comparison of Early Intensive Behavioral Intervention and Special Education Costs for Children with Autism"
 - Boudier, James N. Hockenjos, Jon (2009), "Benefit-Cost Analysis of Michigan Autism Insurance Coverage".
 - Jacobson, John W., James A. Mulick and Gina Green (1998), "Cost-Benefit Estimates for Early Intensive Behavioral Intervention for Young Children with Autism"
 - Oliver Wyman, Marc Lambright, FSA, MAAA (2009-2011) Actuarial Cost Estimates to support State Autism Legislation Reform in many of the States that have passed Autism Insurance Reform
 - There are many other studies and references that are available

Appendix - Why Business Should Support an Autism Benefit (Former DTE Executive Chair Tony Earley's Perspective)

- Greater employee productivity
- Employee retention is maximized – employees will not feel the need to leave Michigan in search of a job with state-regulated insurance
- Children who achieve higher levels of functioning
 - have lower overall health care costs
 - do better in school
 - need less assistance from their families, from whom autism often exacts a terrible financial and psychological toll
- A child is given the opportunity for a functional, happy life and is saved from a lifetime of institutionalization

Appendix - Key Supporting Arguments

- I can't support mandates  This unlike others, is funded and will save at least \$14 billion and double that if ERISA plans follow.
- Costs will be high and make insurance prohibitively costly  Actuarial studies do not support this statement. Initial premium increase is significantly under 1%.
- Therapies are experimental  This is not true. Therapies are supported by science and the Surgeon General, the National Research Council and the American Academy of Pediatrics.
- The schools already provide these services  Federal and State laws charge the schools with providing the child with autism a meaningful education. Schools try to accommodate disabilities in the course of educating children with autism. Schools do not, cannot, and should not be tasked with treating the disabling condition. Research done by MSU which was funded by Ambassador and Eileen Weiser showed teachers don't have the training to teach children with autism and have low academic expectations.